

**MINUTES OF THE
JOINT EXECUTIVE APPROPRIATIONS COMMITTEE**

Tuesday, June 14, 2011 - 1:00 p.m. - Room 445 State Capitol

Members Present:

Sen. Lyle W. Hillyard, Co-Chair
Rep. Melvin R. Brown, Co-Chair
Sen. Kevin T. Van Tassell, Vice Chair
Rep. John Dougall, Vice Chair
Sen. Scott K. Jenkins
Sen. Peter C. Knudson
Sen. Benjamin McAdams
Sen. Karen W. Morgan
Sen. Wayne L. Niederhauser
Sen. Ross I. Romero
Sen. Michael G. Waddoups, President
Rep. Brad L. Dee
Rep. Gregory H. Hughes

Rep. Brian S. King
Rep. David Litvack
Rep. Rebecca D. Lockhart, Speaker
Rep. Ronda Rudd Menlove
Rep. Jennifer M. Seelig
Rep. Christine F. Watkins

Members Excused:

Sen. Patricia W. Jones

Staff Present:

Jonathan Ball, Legislative Fiscal Analyst
Steven Allred, Deputy Director
Greta Rodebush, Legislative Secretary

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Call to Order/Approval of Minutes

Co-Chair Brown called the meeting to order at 1:12 p.m.

MOTION: Sen. Jenkins moved to approve the minutes of the May 17, 2011 meeting. The motion passed unanimously with Sen. Romero, Rep. Hughes, and Rep. Litvack absent for the vote.

2. Federal/Non-Federal Grants Reports

Becky Bruso, Governor's Office of Planning and Budget, presented the Federal Funds Report. There were three new federal grants and one reapplication of an existing grant requiring legislative action. The Governor's Office approved three new federal grants and two reapplications of existing grants.

Ms. Bruso indicated that there were no non-federal grants to approve.

President Waddoups inquired about the Governor's Office of Economic Development (GOED), Utah State Trade and Export Promotion (STEP) Grant Program. The federal award is \$1,000,212 with a state match of \$257,626 of existing program expense. Ms. Bruso explained that STEP is a three-year pilot program that the State must apply for each year. GOED, in partnership with the World Trade Center, Salt Lake Chamber of Commerce, Salt Lake Community College, and the Pete Suazo Business Center will provide cash and in-kind matching funds to assist eligible small business concerns with exporting. Ms. Bruso clarified that the Small Business Association asked that the cash match for the initial proposal be greater than the required amount in case some of the matching funds are disallowed by the federal government.

President Waddoups asked if the Court's Court Visitor Volunteer Coordinator Program would increase the number of court filings and usage in the courts.

Tim Shea, Administrative Office of the Courts, indicated that the Court Visitor Volunteer Coordinator Program will not increase the number of case filings but should reduce the amount of time in court.

Grant monies will be used to hire two coordinators to recruit community volunteers to serve as court visitors in guardianship and conservatorship cases.

Sen. Jenkins inquired about the Court's Self-Help Center. Mr. Shea stated that the Judicial Council started the Self-Help Center about three years ago. The Center is manned by one full time and two part-time attorneys who answer questions about court process electronically and over the telephone. The program receives state funding and uses some federal grant monies.

President Waddoups asked for more information on the federal grant approved by the Governor's Office, Department of Human Services, Strategic Prevention Framework. Ms. Bruso briefly explained that program efforts will focus on the prevention of mental health conditions in rural areas. She offered to provide President Waddoups with additional information.

MOTION: Co-Chair Hillyard moved to recommend acceptance of the federal and non-federal grants as outlined on page 1 of "Federal/Non-Federal Grants Review and Approval" under the heading, "Grants Requiring EAC Review and Recommendation" and dated today, June 14, 2011. The motion passed with Rep. Dougall voting in opposition.

Co-Chair Brown announced that Patrick Lee, LFA, had accepted a position with the Governor's Office of Economic Development, and that Gary Syphus, LFA, would be assuming his responsibilities with the federal funds.

Ms. Brusso indicated that the Governor's Office will continue to send through LFA to committee members answers to questions on federal/non-federal grants. Co-Chair Hillyard suggested that the committee be given five calendar days to respond, after which the Governor's Office can move forward on the grant awards.

3. Revenue Update

Dr. Andrea Wilko, Chief Economist, and Dr. Thomas Young, Staff Economist, presented the report, "Revenue Update," dated June 14, 2011. The report structure included a discussion on tax collections year-to-date and economic indicators.

Dr. Wilko reported that General and Education Fund revenue is expected to end FY 2011 \$10 to \$110 million above the consensus February forecast. Revenues are coming in above targets for most of the major funding sources. Transportation Fund revenues are expected to be within a range of \$0 to \$10 million above target for FY 2011.

Dr. Wilko explained that while general economic conditions are showing signs of improvement, recent economic data have been on the slow side of recovery. She noted that some employment and wage growth and pent up demand and productivity increases could boost revenue. On the downside, construction and national problems remain a risk.

Dr. Young said General Fund FY 2011 year end totals are projected to come in \$5 million to \$45 million above the February forecast. Sales tax, beer, cigarette and tobacco, liquor profits are all above targets, while severance and insurance premiums are below targets.

Dr. Wilko stated that any revenue surplus is subject to existing commitments. Assuming a \$100 million (high end of range) surplus, \$50 million would go to Rainy Day Fund, \$5 to \$10 million to the Disaster Recovery Fund, and \$12 million to the Industrial Assistance Fund. This would leave between \$28 to \$33 million for discretionary spending.

Committee Discussion

Sen. Hillyard asked a series of questions to clarify what the existing commitments would be any surplus. Dr. Wilko stated that because rainy day funds have been used in recent years, 50 percent of any revenue surplus will be deposited into the State's rainy day funds. She indicated that \$65 million of the potential surplus was Education Fund.

A discussion then ensued as to whether or not any of the \$65 million could be deposited into the State's rainy day funds in light of the fact that Public Education used \$50 million from the Education Job Fund to cover a \$50 million revenue shortfall.

Angie Stallings, LRGC, stated that there are restrictions tied to the Education Jobs Fund. Statutory language says that "A state that receives an allocation may not use such funds, directly or indirectly, to - (a) establish, restore, or supplement a rainy day fund; (b) supplant State funds in a manner that has the effect of establishing, restoring, or supplementing a rainy day fund." (H.R. 1586, 111th United States Congress, page 2.)

Co-Chair Hillyard requested that the Legislative General Counsel work with the Governor's Office and Division of Finance to identify steps that preserve any Education Fund revenue surplus for future appropriation to education.

Co-Chair Brown did not take any formal action on this issue because it was not listed on the agenda.

Rep. Dee distributed and discussed the handout, "Proposal for Emergency Work on the Weber River Breach." Rep. Dee requested that the Executive Appropriations Committee call upon the Governor to declare a disaster and use up to \$3 million already appropriated by the Legislature to the Department of Public Safety, and \$100 million appropriated to the Governor's Office, for emergency flood relief in Weber County and other areas of the state as necessary, and that the Legislature communicate its consent to use all necessary state equipment.

Rep. Dee said that the Governor has offered to brief the committee and other legislators on the flood situation throughout the state.

President Waddoups commented that other counties will also need help in mitigating the spring run off as the season progresses.

4. Reports on Medicaid Reform Requirements and Progress (S.B. 180, 2011 G.S.)

Sen. Daniel R. Liljenquist gave a brief overview of S.B. Bill 180, *Medicaid Reform*, and what has been done since the 2011 General Session to develop a Medicaid reform proposal.

Sen. Liljenquist expressed concern about Medicaid cost growth and the long-term sustainability of the Medicaid program.

Sen. Liljenquist stated that S.B. 180 limits the rate of growth in per-patient-per-month General Fund expenditures for the Medicaid program to the rate of growth in General Fund expenditures for all programs. He indicated that the reform proposal is going to change the way we pay and compensate providers, away from a fee-for-service system to a managed-care capitated system. There is an expectation that healthcare outcomes will be maintained or improved under this new system. Finally, Sen. Liljenquist noted that S.B. 180 creates a Medicaid-specific rainy day fund.

Michael Hales, Director, Division of Medicaid & Health Care Financing, Department of Health, highlighted some of the key points of the Medicaid waiver entitled, "Utah Medicaid Waiver Request, Payment and Service Delivery Reform," and dated June 1, 2011.

Mr. Hales discussed the Accountable Care Organization (ACOs), the inclusion of non-behavioral health pharmacy benefits in the ACO benefit package, and an option for Medicaid clients to receive a premium subsidy to purchase private health insurance.

Mr. Hales responded to committee questions pertaining to private health insurance and CHIP eligibility, quality of care standards, risk-adjusted, capitated payments, budgeting for Medicaid, the status of the Medicaid restricted account, and key differences between the ACO and a traditional managed care models.

Mr. Hales indicated that because the Center for Medicare & Medicaid Services (CMS) is interested in national payment reform, the State will probably end up with some kind of negotiated agreement.

Dr. Patton, Executive Director, Department of Health, commented that he had met with the Director of CMS in Washington who was very receptive to the waiver concepts. He also spoke with Utah's congressional delegation to keep them informed on the waiver's progress.

Sen. Liljenquist thanked the Legislature for its support in working towards Medicaid reform.

5. Report of Savings in Department of Workforce Services Eligibility Determination

Geoff Landward, Department of Workforce Services (DWS), reported on the handout, "Public Assistance - Eligibility Services, Caseload, Cost, FTE's FY 2007 - FY 2012 (est.)." He discussed past measures to save money, the eRep system, and the Operational Excellence Initiative. DWS is eliminating "bottlenecks" in the work flow that prevent workers from making determinations, expanding myCase, utilizing electronic correspondence, and reducing the workforce through attrition.

Mr. Landward briefly discussed the DWS Eligibility Services Division report card and a spread sheet of realized FY 2011 savings estimates.

Rep. Seelig asked how the Department is measuring success in customer service levels. Mr. Landward stated that DWS is tracking all areas of operation, measuring against the ultimate goal of making sure DWS is getting the right benefit to the right person in the right amount as quickly as possible.

Rep. Seelig expressed concern that some customers are not able to access services using technology. Mr. Landward stated that even though some customers do not have direct access to technology, they do benefit from the technological advances being used by the Department.

Rep. Menlove complimented the Department's use of technology to creatively address needs and attain cost savings. She asked how workers are handling these changes. Mr. Landward stated that initially there was some dissatisfaction, but with the restructuring of work flow and new technology, morale has started to improve.

Mr. Landward discussed a six-month pilot pay-for-performance program that the Eligibility Services Division will be implementing at the end of the month. Employees have to reach baseline performance benchmarks to qualify for a bonus.

6. Report on Double Counting Due to Transfers Between Departments

Richard Amon, LFA, presented the Issue Brief, "Treatment of Medicaid Transfers in State Budgeting."

Mr. Amon explained that transfers between the Department of Health and other state agencies receiving Medicaid funds overstate Medicaid expenditures when rolled-up in a statewide budget by as much as \$300 million in FY 2010. The LFA recommends:

1. The Department of Health identify Medicaid expenditures to other state agencies in their budget submission so that the Governor's Office of Planning and Budget and the Legislative Fiscal Analyst may exclude the expenditures and revenues from the Department of Health in a statewide roll-up.
2. Request the Governor's Office of Planning and Budget implement a statewide standard for budgeting revenue transfers among state agencies that would provide more consistency in the way agencies account for Medicaid transfers.
3. The Legislature create a statutory exemption from the *Budgetary Procedures Act* for Medicaid transfers to allow departments to transfer funds between line items.

Jonathan Ball, Director, LFA, called attention to the Figure 2 on page 2 to illustrate how reporting Medicaid transfers over-represents the total budget. While the Division of Finance excludes the transfers in financial statements after-the-fact, the Governor's Office of Planning Budget and the Legislative Fiscal Analyst do not exclude the transfers up-front in their budgets.

Rep. King stated that it is critical to have accurate information on the front end.

MOTION: Rep. King moved to accept the three recommendations as presented on page 3 of the Issue Brief, "Treatment of Medicaid Transfers in State Budgeting." The motion passed unanimously with Speaker Lockhart, Rep. Litvack, and Rep. Seelig absent for the vote.

7. Legislative Session Format: Appropriations Subcommittee Meetings

Jonathan Ball, Director, LFA, reported on the reorganization of appropriations subcommittees to better utilize scheduled time, facilitate quorums, and make meetings more productive.

Under the new subcommittee realignment, the average meeting length remained just under two hours, the number of canceled meetings went from twelve in 2010 to zero in 2011, and the amount of unused meeting time went from the equivalent of 25 meetings on average in the past three years to the equivalent of five meetings in 2011.

Mr. Ball noted only one instance in which a vote could not be taken due to lack of a quorum. In that case, a quorum was established within fifteen to twenty minutes, and the vote proceeded. Mr. Ball noted that no meetings were canceled due to a lack of a quorum.

Finally, an informal poll of subcommittee co-chairs suggested that one additional meeting would be desirable, morning meetings were more productive, and the absolute meeting end time had the effect of cutting debate short.

8. Other Business

Co-Chair Brown noted that the next EAC meeting is scheduled for July 19, 2011.

President Waddoups noted that Stephen Jardine, LFA, had provided him with meaningful information about the previously discussed Department of Human Services, System of Care Expansion Planning Grant and the Strategic Prevention Framework Grant.

MOTION: Co-Chair Hillyard moved to adjourn. The motion passed unanimously with Rep. Litvack and Speaker Lockhart absent for the vote.

Co-Chair Brown adjourned the meeting at 2:39 p.m.